

**MARION SCHOOL DISTRICT PUBLIC LIBRARY**  
**MARION COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Marion School District Public Library  
445 East Church Street  
Marion, Ohio 43302

We have reviewed the *Independent Auditors' Report* of the Marion School District Public Library, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Marion School District Public Library is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY  
Auditor of State

November 2, 2006

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**TABLE OF CONTENTS**

	<b>PAGE</b>
Independent Auditors' Report .....	3-4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	6
Notes to the Financial Statements.....	7-10
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11-12

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Marion School District Public Library  
Marion County

We have audited the accompanying financial statements of the Marion School District Public Library, Marion County, Ohio, (the Library) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Marion School District Public Library, Marion County, Ohio, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2006 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

September 21, 2006



**MARION SCHOOL DISTRICT PUBLIC LIBRARY**  
**MARION COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Total</u>
	<u>General</u>	<u>Capital</u>	<u>Fund Type</u>	
		<u>Projects</u>	<u>Expendable</u>	<u>(Memorandum</u>
			<u>Trust</u>	<u>Only)</u>
<b>Cash receipts:-</b>				
Library local government support	\$ 2,446,308	\$ 0	\$ 0	\$ 2,446,308
Patrons fines and fees	95,735	0	0	95,735
Earnings on investments	37,009	0	19,904	56,913
Contributions, gifts and donations	25,613	0	0	25,613
Other receipts	13,539	0	0	13,539
Total cash receipts	2,618,204	0	19,904	2,638,108
<b>Cash disbursements:-</b>				
<b>Current;-</b>				
Salaries	1,350,617	0	0	1,350,617
Employee fringe benefits	451,705	0	0	451,705
Purchased and contracted services	257,644	0	0	257,644
Library materials	350,666	0	0	350,666
Supplies	46,490	0	0	46,490
Other objects	7,587	0	0	7,587
Capital Outlay	11,527	22,380	0	33,907
Total cash disbursements	2,476,236	22,380	0	2,498,616
Total receipts over (under) cash disbursements	141,968	( 22,380)	19,904	139,492
<b>Other financing receipts (disbursements):-</b>				
Transfers-in	0	0	0	0
Transfers-out	0	0	0	0
Total other financing receipts (disbursements)	0	0	0	0
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	141,968	( 22,380)	19,904	139,492
Fund cash balances, January 1, 2005	747,016	401,735	666,255	1,815,006
<b>Fund cash balances, December 31, 2005</b>	<u>\$ 888,984</u>	<u>379,355</u>	<u>\$ 686,159</u>	<u>\$ 1,954,498</u>
<b>Reserve for encumbrances, December 31, 2005</b>	<u>\$ 227,952</u>	<u>\$ 26,500</u>	<u>\$ 0</u>	<u>\$ 254,452</u>

The notes to the financial statements are an integral part of this statement.

**MARION SCHOOL DISTRICT PUBLIC LIBRARY**  
**MARION COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Total</u>
	<u>General</u>	<u>Capital</u>	<u>Fund Type</u>	
		<u>Projects</u>	<u>Expendable</u>	<u>(Memorandum</u>
			<u>Trust</u>	<u>Only)</u>
<b>Cash receipts:-</b>				
Library local government support	\$ 2,432,930	\$ 0	\$ 0	\$ 2,432,930
Patrons fines and fees	102,609	0	0	102,609
Earnings on investments	21,167	0	12,395	33,562
Contributions, gifts and donations	11,123	0	0	11,123
Other receipts	11,026	0	0	11,026
	<u>2,578,855</u>	<u>0</u>	<u>12,395</u>	<u>2,591,250</u>
<b>Cash disbursements:-</b>				
<b>Current:-</b>				
Salaries	1,445,993	0	0	1,445,993
Employee fringe benefits	500,398	0	0	500,398
Purchased and contracted services	262,439	0	0	262,439
Library materials	333,319	0	0	333,319
Supplies	44,640	0	0	44,640
Other objects	25,662	0	0	25,662
Capital Outlay	15,847	114,583	0	130,430
	<u>2,628,298</u>	<u>114,583</u>	<u>0</u>	<u>2,742,881</u>
Total cash disbursements				
Total receipts over (under) cash disbursements	( 49,443)	( 114,583)	12,395	( 151,631)
<b>Other financing receipts (disbursements):-</b>				
Transfers-in	0	0	0	0
Transfers-out	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing receipts (disbursements)				
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	( 49,443)	( 114,583)	12,395	( 151,631)
Fund cash balances, January 1, 2004	796,459	516,318	653,860	1,966,637
<b>Fund cash balances, December 31, 2004</b>	<u>\$ 747,016</u>	<u>401,735</u>	<u>\$ 666,255</u>	<u>\$ 1,815,006</u>
<b>Reserve for encumbrances, December 31, 2004</b>	<u>\$ 157,255</u>	<u>\$ 8,156</u>	<u>\$ 0</u>	<u>\$ 165,411</u>

The notes to the financial statements are an integral part of this statement.

**MARION SCHOOL DISTRICT PUBLIC LIBRARY**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

- A. **Description of the Entity** - The Marion School District Public Library, Marion County, Ohio, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Board of Education of the School District. The Library provides the community with various educational and literary resources.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

- B. **Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

- C. **Cash and Investments** - The Library maintains its cash deposits in an interest-bearing checking account and money market accounts. The Library's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Library reports gains or losses at the time of sale as receipts or disbursements, respectively. The Library values certificates of deposit at cost.

- D. **Fund Accounting** - The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

Fiduciary Fund (Expendable Trust Fund)

This fund (the Young Estate Expendable Trust Fund) was a bequest of stocks to be used for the benefit of the children's department for the purchase of books and reference materials.

- E. **Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Library's Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and subsequent amendments. Unencumbered appropriations lapse at year-end.

**MARION SCHOOL DISTRICT PUBLIC LIBRARY**  
**MARION COUNTY**  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2005 AND 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources and amendments.

Encumbrances

The Ohio Revised Code requires the Library to reserve (encumber) appropriations when commitments are made.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

- F. Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.
- G. Accumulated Leave** - In certain circumstances such as leaving employment, the employees are entitled to the amount of their unused leave. Unused leave is not reflected as a liability under the basis of accounting the Library uses.

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ 285,546	\$ 158,874
Certificates of deposit	1,200,000	1,200,000
Cash on hand	<u>601</u>	<u>712</u>
Total deposits and cash on hand	1,486,147	1,359,586
Star Ohio	428,431	415,500
Stock	<u>39,920</u>	<u>39,920</u>
Total investments	<u>468,351</u>	<u>455,420</u>
<b>Total deposits and investments</b>	<b><u><u>\$ 1,954,498</u></u></b>	<b><u><u>\$ 1,815,006</u></u></b>

**Deposits** - The Library's deposits are either insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Library, or collateralized by the financial institution's public entity deposit pool.

**Investments** - Investments in Star Ohio are not evidenced by securities that exist in physical or book entry form. Stock securities held by the Library in the Young Estate Trust Fund are the foundation of a bequest executed in 1954. The securities are carried at the fair market value of the bequest on the date it was executed by the court system. The fair market value of these securities at December 31, 2005 and 2004 was \$286,042 and \$266,441, respectively. In 2006, the 612 shares of Sears Roebuck and Co. stocks were subject to an involuntary conversion at \$50 per share. At the time of the conversion, the fair market value of the stocks was \$83,997. The proceeds from the conversion will total \$30,600.

**MARION SCHOOL DISTRICT PUBLIC LIBRARY**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**NOTE 3 - BUDGETARY ACTIVITY :-**

Budgetary activity for the years ending December 31, 2005 and 2004 was as follows:

**2005 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 2,714,283	\$ 2,618,204	\$ ( 96,079)
Capital projects	0	0	0
Expendable Trust	<u>12,000</u>	<u>19,904</u>	<u>7,904</u>
<b>Total</b>	<b>\$ <u>2,726,283</u></b>	<b>\$ <u>2,638,108</u></b>	<b>\$ <u>( 88,175)</u></b>

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,353,318	\$ 2,704,188	\$ 649,130
Capital projects	90,713	48,880	41,833
Expendable Trust	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>3,444,031</u></b>	<b>\$ <u>2,753,068</u></b>	<b>\$ <u>690,963</u></b>

**2004 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 2,578,783	\$ 2,578,855	\$ 72
Capital projects	0	0	0
Expendable Trust	<u>12,000</u>	<u>12,395</u>	<u>395</u>
<b>Total</b>	<b>\$ <u>2,590,783</u></b>	<b>\$ <u>2,591,250</u></b>	<b>\$ <u>467</u></b>

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,257,515	\$ 2,785,553	\$ 471,962
Capital projects	351,930	122,739	229,191
Expendable Trust	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>3,609,445</u></b>	<b>\$ <u>2,908,292</u></b>	<b>\$ <u>701,153</u></b>

**MARION SCHOOL DISTRICT PUBLIC LIBRARY**  
**MARION COUNTY**  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2005 AND 2004

**NOTE 4 - LIBRARY LOCAL GOVERNMENT SUPPORT:-**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**NOTE 5 - LEASE AGREEMENT:-**

In August 1998, the Library entered into a five year rental agreement with the United States Post Office (the Post Office). The Post Office agreed to lease 1615 square feet of the Library's Caledonia location for \$340 a month rent. In July 2003, the Post Office exercised a five year renewal option at a cost of \$390 a month for rent. The future minimum rental receipts for the Library are as follows:

2006	\$	4,680
2007		4,680
2008		<u>2,730</u>
Total	\$	<u><u>12,090</u></u>

**NOTE 6 - RETIREMENT SYSTEMS:-**

The Library's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. For 2005 and 2004, the Library's employees contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Library has paid all contributions required through December 31, 2005.

**NOTE 7 - RISK MANAGEMENT:-**

***Commercial Insurance***

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions.



**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Board of Trustees  
Marion School District Public Library  
Marion County

We have audited the accompanying financial statements of the Marion School District Public Library, Marion County, Ohio (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 21, 2006, wherein we noted the Library followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned function. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Library's management dated September 21, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. In a separate letter to the Library's management dated September 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intended this report solely for the information and use of the management and the Library's Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Shullbrook & Manta". The script is cursive and elegant, with the ampersand being particularly stylized.

Certified Public Accountants

September 21, 2006





**Auditor of State  
Betty Montgomery**

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**MARION SCHOOL DISTRICT PUBLIC LIBRARY**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 14, 2006**